

# **The Premier Property Group Limited and Subsidiaries**

Financial Statements for the year ended 30 June 2011  
together with Directors' and Independent Auditor's Reports

Registered Number: SC139902



## Company information

### Directors

Sir D E Murray  
A Glasgow  
L Higgins  
M S McGill  
C J Mitchell  
D W Muir

### Secretary

D W M Horne

### Registered Office

10 Charlotte Square  
Edinburgh  
EH2 4DR

### Bankers

Bank of Scotland  
300 Lawnmarket  
Edinburgh  
EH1 2PH

### Solicitors

HBJ Gateley  
Exchange Tower  
19 Canning Street  
Edinburgh  
EH3 8EH

### Independent Auditor

Grant Thornton UK LLP  
95 Bothwell Street  
Glasgow  
G2 7JZ

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## Report of the Directors

The directors present their report and the financial statements of The Premier Property Group Limited and Subsidiaries (the "Group") for the year ended 30 June 2011.

### Principal activity and business review

The principal activity of the Group during the year was the development and management of commercial property within the UK.

The Group has enjoyed a satisfactory trading year through a period of continuing economic and market instability. The completion of a business restructure and Bank refinancing in the prior financial year provided the platform for the Group to concentrate on intensive asset management, strategic property disposals and debt reduction. In terms of market sentiment, the Group has benefitted from a buoyant central London office market although regional markets, outside of the South East, have remained subdued. The retail sector experienced another challenging year with increasing downward pressure on rental values, retailer business failures and weak demand. The market for development land also experienced a difficult year largely through the lack of tangible growth, economic frailties and weak appetite of funders.

Against this background the Group achieved a number of property disposals in the year to 30 June 2011, the most notable being the sale of 60 Charlotte Street, London in December 2010 for total proceeds of £31.5 million. Property disposals were also achieved in Edinburgh, Glasgow, North England and Nottingham with the Group taking advantage of opportunities to sell a total of 10 properties in the financial year generating close to £70 million of proceeds.

In addition the Group maintained a strong focus on improving occupancy levels and rental income streams. Total rental income in the year amounted to £28.6m which represented a marginal increase from the previous year after taking into account the impact of property disposals. As the majority of rental income is generated by the Group's retail assets this represented a strong performance in a challenging retail market.

Trading performance has also benefitted from a reduction in interest costs as a consequence of the refinancing exercise and the reduction in bank debt achieved in the year. A review of the carrying value of properties at 30 June 2011 identified a number of positive and negative valuation adjustments. The net impact of these adjustments amounted to £5.8 million of property valuation write-downs and was primarily attributable to the weak market for development land. The adjustment has been treated as an exceptional charge in the year.

The balance sheet reflected the impact of property disposals during the year with corresponding reductions in stocks and bank debts. Total property assets at 30 June 2011 amounted to £418.1 million (2010 - £488.1 million) with bank debts amounting to £403.4 million (2010 - £457.7 million).

In summary the Group generated a profit before tax and exceptional items of £4.3 million for the year to 30 June 2011 (2010 - £10.2 million). The inclusion of exceptional charges generated a loss before tax of £1.5 million (2010 - loss before tax of £34.5 million). Net liabilities at 30 June 2011 amounted to £104.5 million (2010 - £103.0 million) which included parent company funding liabilities of £127.4 million (2010 - £127.4 million).

The prospects for the next financial year will be strongly influenced by the economic climate and corresponding impact on the property sector. Management continue to focus on lettings and disposal opportunities and have experienced improved levels of tenant and purchaser interest. As a consequence, the Company has completed a number of new lettings and achieved disposals generating in excess of £150 million subsequent to the year end. This included the sale of Plumtree Court, London for £92.5 million, which was contracted for sale in early 2011 but with completion deferred until January 2012, the disposal will be accounted for in the year to 30 June 2012.

## Report of the Directors (continued)

### Results and dividends

Trading results for the year and the Group's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend (2010 - £Nil).

### Directors of the Company

The directors who served The Premier Property Group Limited (the "Company") during the year were:

Sir D E Murray  
A Glasgow  
L Higgins  
M S McGill  
C J Mitchell  
D W Muir

### Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- ensure applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Report of the Directors (continued)**

### **Directors' responsibilities (continued)**

In so far as each of the directors is aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Financial risk management objectives and policies**

The Group's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group.

#### **Credit risk**

The Group has implemented a policy that requires credit checks on prospective purchasers and tenants and regular monitoring of existing tenancies.

#### **Liquidity risk**

Operations are financed by a mixture of shareholders' funds, bank borrowings and parent company funding. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Group.

#### **Interest rate risk**

The Group's policy is to arrange core debt, bank loans and overdrafts, with a floating rate of interest plus an agreed margin to manage its exposure to interest rate movements on its bank borrowings. The Group uses interest rate swaps together with non-speculative hedging instruments to manage its exposure to interest rate movements on its bank borrowings.

## Report of the Directors (continued)

### Key performance measures

The Group monitors a wide range of performance measures in its management of principal risks and uncertainties. Key financial performance measures include property sales, operating profit, profit before tax, assets under management and debt balances. Non-financial performance measures include the achievement of various milestones with regard to planning consent status, development activity status as well as occupancy levels and rental yields. The following key measures are highlighted for the year to 30 June 2011:

- Property sales of £68.4 million (30 June 2010 - £90.6 million);
- Profit before tax and exceptional items of £4.3 million (30 June 2010 - £10.2 million);
- Property assets held at 30 June 2011 of £418.1 million (2010 - £488.1 million);
- Net debt at 30 June 2011 of £403.4 million (2010 - £457.7 million); and
- Continued focus on occupancy levels and rental yields across the property portfolio working closely with managing and letting agents to ensure the proactive management of existing tenancies and targeted marketing of current void space.

### Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the Company receives notice under Section 488(1) of the Companies Act 2006.

BY ORDER OF THE BOARD



D W M Horne  
Secretary  
23 March 2012

## **Report of the Independent Auditor to the member of The Premier Property Group Limited and Subsidiaries**

We have audited the financial statements of The Premier Property Group and Subsidiaries for the year ended 30 June 2011 which comprise the group profit and loss account, the group statement of total recognised gains and losses, the group and parent company balance sheets, the group cash flow statement, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 and 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with the applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Company's affairs as at 30 June 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



## **Report of the Independent Auditor to the member of The Premier Property Group Limited and Subsidiaries (continued)**

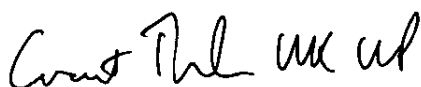
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Andrew Howie  
Senior Statutory Auditor  
For and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Glasgow  
26 March 2012

## Consolidated Profit and Loss Account

		2011			2010		
	Notes	Normal £'000	Exceptional £'000	Total £'000	Normal £'000	Exceptional £'000	Total £'000
<b>Turnover: group and share of joint ventures</b>	1	98,116	-	98,116	122,978	-	122,978
Less share of joint venture turnover	1	-	-	-	(413)	-	(413)
<b>Group turnover</b>	1	98,116	-	98,116	122,565	-	122,565
Cost of sales		(76,840)	-	(76,840)	(88,460)	-	(88,460)
Impairment losses on development properties	2	-	(5,803)	(5,803)	-	(5,726)	(5,726)
<b>Gross profit/(loss)</b>		21,276	(5,803)	15,473	34,105	(5,726)	28,379
Other operating expenses	3	(5,611)	-	(5,611)	(3,842)	-	(3,842)
<b>Operating profit/(loss)</b>		15,665	(5,803)	9,862	30,263	(5,726)	24,537
Share of operating loss in joint ventures	4	(8)	-	(8)	(428)	-	(428)
<b>Total operating profit/(loss)</b>		15,657	(5,803)	9,854	29,835	(5,726)	24,109
Costs of fundamental restructuring	2	-	-	-	-	(38,889)	(38,889)
Gain on sale of fixed assets		8	-	8	77	-	77
<b>Profit/(loss) on ordinary activities before interest and taxation</b>		15,665	(5,803)	9,862	29,912	(44,615)	(14,703)
Investment income							
- Group	5	21	-	21	29	-	29
- Joint ventures	5	1	-	1	-	-	-
Interest payable and similar charges	6	(11,431)	-	(11,431)	(19,779)	-	(19,779)
<b>Profit/(loss) on ordinary activities before taxation</b>	7	4,256	(5,803)	(1,547)	10,162	(44,615)	(34,453)
Tax on profit/(loss) on ordinary activities							
- Group	9	15	-	15	244	-	244
- Joint ventures	9	(17)	-	(17)	116	-	116
<b>Profit/(loss) on ordinary activities after taxation</b>		4,254	(5,803)	(1,549)	10,522	(44,615)	(34,093)
Minority interests	19	-	-	-	(58)	-	(58)
<b>Profit/(loss) for the financial year</b>	18	4,254	(5,803)	(1,549)	10,464	(44,615)	(34,151)

The current and prior year losses have been derived wholly from continuing operations.

The reported loss on ordinary activities before taxation equates to the historic cost loss on ordinary activities before tax.

The accompanying notes and Statement of Accounting Policies form part of these financial statements.

## Consolidated Statement of Total Recognised Gains and Losses

	Notes	2011 £'000	2010 £'000
Loss for the financial year	18	(1,549)	(34,151)
Reversal of revaluation reserve on transfer to stock		-	(1,077)
<b>Total recognised losses for the year</b>		<b>(1,549)</b>	<b>(35,228)</b>

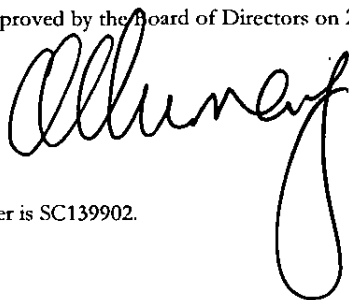
The accompanying notes and Statement of Accounting Policies form part of these financial statements.

## Consolidated Balance Sheet

	Notes	£'000	2011 £'000	£'000	2010 £'000
<b>Fixed assets</b>					
Intangible assets	10		116		313
Tangible assets	11		62		123
Investments in joint ventures					
-share of gross assets	12	134		159	
-share of gross liabilities		(10)		(11)	
			124		148
			302		584
<b>Current assets</b>					
Stocks	13		418,130		488,084
Debtors					
-due within one year	14		24,620		14,255
-due after more than one year	14		1,858		1,858
Cash at bank and in hand			93		7,283
			444,701		511,480
<b>Creditors: amounts falling due within one year</b>	15		(25,517)		(37,111)
<b>Net current assets</b>			419,184		474,369
<b>Total assets less current liabilities</b>			419,486		474,953
Creditors: amounts falling due after more than one year	16		(524,013)		(577,931)
<b>Net liabilities</b>			(104,527)		(102,978)
<b>Capital and reserves</b>					
Called-up share capital	17		2,368		2,368
Capital redemption reserve	18		7,600		7,600
Profit and loss account	18		(114,495)		(112,946)
<b>Shareholders' deficit</b>	20		(104,527)		(102,978)

These financial statements were approved by the Board of Directors on 23 March 2012 and are signed on their behalf by:

Sir D E Murray )  
C J Mitchell ) Directors



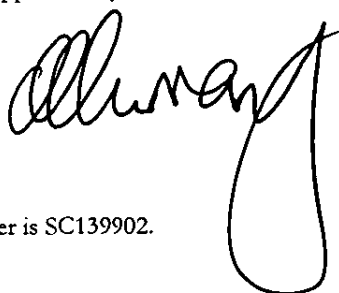
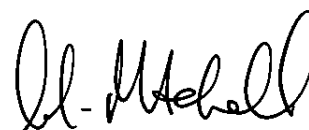

The Company's registration number is SC139902.

## Company Balance Sheet

	Notes	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Tangible assets	11	58	98
Investments	12	2,261	-
		<u>2,319</u>	<u>98</u>
<b>Current assets</b>			
Debtors			
- due within one year	14	419,282	499,412
- due after more than one year	14	1,858	1,858
Cash at bank and in hand		2	6,526
		<u>421,142</u>	<u>507,796</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(20,627)</u>	<u>(22,936)</u>
<b>Net current assets</b>		<u>400,515</u>	<u>484,860</u>
<b>Total assets less current liabilities</b>		<u>402,834</u>	<u>484,958</u>
Creditors: amounts falling due after more than one year	16	(524,013)	(577,931)
<b>Net liabilities</b>		<u>(121,179)</u>	<u>(92,973)</u>
<b>Capital and reserves</b>			
Called-up share capital	17	2,368	2,368
Capital redemption reserve	18	7,600	7,600
Profit and loss account	18	(131,147)	(102,941)
<b>Shareholders' deficit</b>	20	<u>(121,179)</u>	<u>(92,973)</u>

These financial statements were approved by the Board of Directors on 23 March 2012 and are signed on their behalf by:

Sir D E Murray )  
C J Mitchell ) Directors

The Company's registration number is SC139902.

## Consolidated Cash Flow Statement

	Notes	2011 £'000	2010 £'000
<b>Cash inflow from operating activities</b>	21(a)	66,379	226,139
Returns on investments and servicing of finance	21(b)	(12,093)	(40,007)
Taxation	21(c)	15	-
Capital expenditure and financial investment	21(d)	17	(1,757)
<b>Cash inflow before financing</b>		<b>54,318</b>	<b>184,375</b>
Financing	21(e)	(61,508)	339,242
<b>(Decrease)/increase in cash in the year</b>		<b>(7,190)</b>	<b>523,617</b>
		2011 £'000	2010 £'000
<b>Reconciliation of net cash (outflow)/inflow to movements in net debt</b>			
<b>(Decrease)/increase in cash in the year</b>		<b>(7,190)</b>	523,617
Cash inflow/(outflow) from movements in debt financing		61,508	(339,242)
Non-cash movements		-	15,406
<b>Movement in net debt in the year</b>		<b>54,318</b>	<b>199,781</b>
Net debt at the start of year		(457,723)	(657,504)
<b>Net debt at the end of year</b>	21(f)	<b>(403,405)</b>	<b>(457,723)</b>

The accompanying notes and Statement of Accounting Policies form part of these financial statements.

## Statement of Accounting Policies

The principal accounting policies, which have been applied consistently throughout the current and prior year are:

### **(a) Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, unless otherwise stated.

As provided by section 408 of the Companies Act 2006, no profit or loss account is presented for the Company. The Company's loss for the financial year, determined in accordance with the Act, was £28,206,000 (2010 – loss of £110,575,000).

The Group and Company balance sheets at 30 June 2011 are in a net liability position. The directors have reviewed the trading prospects and financial and cash flow projections of the business and have agreed a bank facility and parent company funding based on these projections. On that basis the directors have a reasonable expectation that there are adequate resources to allow the Group and the Company to continue to realise their assets and discharge their liabilities in the normal course of business for the foreseeable future. Accordingly, the directors have determined that it is appropriate to continue to adopt the going concern basis of accounting in the preparation of these financial statements.

### **(b) Basis of consolidation**

The consolidated financial statements include the results of the Company and all of its subsidiary undertakings drawn up to 30 June 2011.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account up to the date on which control passed.

### **(c) Intangible assets - goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses (representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired) is capitalised and amortised on a straight line basis over an appropriate period depending upon the circumstances of the acquired company, but not greater than twenty years. Goodwill in respect of joint ventures is also amortised on a straight line basis over an appropriate period but not greater than twenty years.

Any excess of the aggregate of the fair value of the identifiable assets and liabilities acquired over the fair value of the consideration given (negative goodwill) is included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Goodwill arising on acquisitions in the year ended 30 April 1998 and earlier periods was written off to reserves in accordance with accounting standards then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal of a previously acquired property interest, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

### **(d) Investments**

In the Company's financial statements, investments in subsidiary and joint venture undertakings are stated at cost less provision for impairment.

## Statement of Accounting Policies (continued)

### (e) Tangible fixed assets

Fixed assets are shown at cost net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant, equipment and vehicles - 3-5 years

Residual value is calculated on prices prevailing at the date of acquisition.

### (f) Stocks and work in progress

Development properties held for development and resale are valued at the lower of the cost and net realisable value. Land held for development, including land in the course of development until legal completion of sale, is valued at the lower of the cost and net realisable value. Work in progress on development properties is valued at the cost of labour and materials plus interest incurred on borrowings for development expenditure until the date of practical completion, less any provision for impairment.

The estimated net realisable values for stocks and work in progress are based on the directors' assessment of residual values for land and properties under development and projected net sales proceeds for completed properties. The key assumptions in assessing these values take into account current market rental levels, investment yields and construction cost data.

### (g) Capitalised interest

Interest is capitalised from the point at which development expenditure is incurred until the date of practical completion, except where there is a substantial delay between acquisition and commencement of physical construction, where capitalisation will commence at the latter point. Where properties are held for redevelopment, interest is capitalised from the point redevelopment commences.

### (h) Associates and joint ventures

In the Group financial statements, investments in associates and joint ventures are accounted for using the gross equity method. The consolidated profit and loss account includes the Group's share of associates' and joint ventures' profits less losses, while the Group's share of the net assets of the associates and joint ventures is shown in the consolidated balance sheet.

Goodwill arising on the acquisition of associates and joint ventures is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates and joint ventures.

### (i) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The taxation liabilities of certain group undertakings are reduced wholly or in part by the surrender of losses by fellow group undertakings. The tax benefits arising from group relief are normally recognised in the financial statements of the surrendering undertakings.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group undertakings taxable profits and their results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.



## Statement of Accounting Policies (continued)

### (i) Taxation (continued)

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### (j) Turnover and revenue recognition

Group turnover was generated wholly within the United Kingdom and is net of VAT and intra group transactions. Rental, management fee and other income are recognised as they are earned. Income from the sale of development properties is recognised when the transaction is complete.

### (k) Pensions

The Company participates in the Murray International Holdings Limited ("MIH") retirement benefits schemes. Details are disclosed in Note 8.

Further details on the MIH schemes are contained in that company's financial statements.

### (l) Leases

Assets held under leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and estimated useful life. The capital elements of future finance lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the agreement to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis.

## Notes to the Financial Statements

### 1. Turnover

Segmental information:

	2011 £'000	2010 £'000
Property sales	68,356	90,633
Rental income	28,578	31,396
Management fees	15	486
Other income	1,167	50
<b>Group turnover</b>	<b>98,116</b>	<b>122,565</b>
Property sales – share of joint ventures	-	413
<b>Total turnover</b>	<b>98,116</b>	<b>122,978</b>

Included within other income is £900,000 (2010 - £nil) relating to compensation received in relation to disruption caused by major works undertaken on a site adjacent to a development property owned by the Group.

### 2. Exceptional items

The charge of £5,803,000 (2010 - £5,726,000) relates to a net reduction in the net realisable value of development properties held as stocks.

The charge of £38,889,000 in the prior year related to the break costs of interest rate derivative instruments and the loss on acquisition of minority interests in subsidiary undertakings as part of a group restructuring and refinancing exercise.

### 3. Other operating expenses

Other operating expenses comprise:

	2011 £'000	2010 £'000
Administrative expenses	5,611	3,842

### 4. Share of operating loss in joint ventures

	2011 £'000	2010 £'000
Share of operating loss in joint ventures	8	428

## Notes to the Financial Statements (continued)

### 5. Investment income

The following are included in investment income:

	2011 £'000	2010 £'000
Other interest receivable – Group	21	29
Other interest receivable – share of joint venture	1	-
	<u>22</u>	<u>29</u>

### 6. Interest payable and similar charges

The following are included in interest payable and similar charges:

	2011 £'000	2010 £'000
On bank loans and overdrafts	11,436	19,315
On loan notes 2000/2009	-	113
On loan notes 2004/2009	-	75
On loan notes 2005/2012	-	269
On other loans	(5)	7
	<u>11,431</u>	<u>19,779</u>

### 7. Profit/(loss) on ordinary activities before taxation

The profit/(loss) on ordinary activities before taxation is stated after charging:

	2011 £'000	2010 £'000
Auditor's remuneration		
- property group audit services	58	45
- property group non-audit services	20	-
- non-property group audit services	71	-
Depreciation of tangible fixed assets		
- owned	48	111
- held under finance lease agreements	4	14
Amortisation of goodwill	197	197
Management fees	373	372
Operating lease rentals		
- plant, equipment and vehicles	17	17
- land and buildings	203	239
Gain on sale of fixed assets	8	77
	<u></u>	<u></u>

## Notes to the Financial Statements (continued)

### 8. Staff costs

Particulars of employees (including executive directors) are shown below:

Employee costs during the year amounted to:

	2011 £'000	2010 £'000
Wages and salaries	1,808	1,748
Social security costs	208	187
Pension costs – regular contributions	141	238
Pension costs – recovery and funding plan contributions	676	-
	<u>2,833</u>	<u>2,173</u>

The average monthly number of persons employed by the Group during the year was as follows:

	2011 Number	2010 Number
Administration	<u>20</u>	<u>22</u>

Directors' remuneration:

The remuneration of the directors was as follows:

	2011 £'000	2010 £'000
Emoluments	528	662
Pension contributions	52	146
	<u>580</u>	<u>808</u>

The aggregate emoluments of the highest paid director during the year were £232,000 (2010 - £287,000) including pension contributions of £24,000 (2010 - £83,000).

## Notes to the Financial Statements (continued)

### 8. Staff costs (continued)

Directors' pensions:

The number of directors who were members of pension schemes was as follows:

	2011 Number	2010 Number
Money purchase schemes	<u>3</u>	<u>3</u>

The Company participated in the Murray International Holdings Limited Staff Pension and Life Assurance Plan pension scheme (the "MIH DB Pension Scheme"). This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from Murray International Holdings Limited. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Following consultation with its Members and Trustees, the MIH DB Pension Scheme was closed to future accrual with effect from 30 April 2010. The Members of the MIH DB Pension Scheme were thereafter entitled to participate in the Murray International Holdings Limited Group Personal Pension Scheme (the "MIH GPP Scheme"). The Trustees of the MIH DB Pension Scheme and the Directors of Murray International Holdings Limited have entered into a recovery and funding plan in respect of future contributions. As a consequence, regular contributions to the defined benefit scheme for the year to 30 June 2011 were £Nil (2010 - £110,000) but the Company paid £676,000 (2010 - £Nil) towards the recovery and funding plan. Further details on the schemes can be found in the financial statements of Murray International Holdings Limited.

The MIH GPP Scheme is a defined contribution multi-employer scheme with regard to certain employees under which the benefits are restricted to the funds available. The assets of the scheme are held independently by insurance companies. All contributions are charged to the profit and loss account in the month in which they are incurred. Contributions to the scheme in the year to 30 June 2011 were £123,000 (2010 - £33,000).

The Company also makes contributions to individual defined contribution personal pension plans for certain employees and the assets of such schemes are held independently by insurance companies. All contributions are charged to the profit and loss account in the month in which they are incurred. Contributions to the scheme in the year to 30 June 2011 were £18,000 (2010 - £95,000).

Sir D E Murray and M S McGill, as directors of the ultimate holding company (Note 24) during the year, were remunerated by fellow subsidiary undertakings of the ultimate holding company and their remuneration is disclosed in that company's financial statements. It is not considered practicable to apportion this remuneration to reflect services provided to the Company or Group.

## Notes to the Financial Statements (continued)

### 9. Tax on profit/(loss) on ordinary activities

The tax (credit)/charge comprises:

	2011 £'000	2010 £'000
UK corporation tax – adjustment in respect of prior years	(15)	615
Deferred tax:		
Origination and reversal of timing differences:		
- current year	-	(89)
- prior year	-	(770)
Total deferred tax	-	(859)
Total tax credit on profit/(loss) on ordinary activities	(15)	(244)
Tax attributable to joint ventures	17	(116)
	2	(360)

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2011 £'000	2010 £'000
Loss on ordinary activities before tax (excluding joint ventures)	(1,540)	(34,025)
Tax on loss on ordinary activities at standard UK corporation tax rate of 27.5% (2010 – 28%)	(424)	(9,527)
Effects of:		
Non-taxable income	-	(8,314)
Non-deductible expense	(33)	11,875
Capital gains	-	16
Utilisation of tax losses	-	(97)
Capital allowances in excess of depreciation	(2)	973
Group relief received for nil payment	(1,742)	(3,045)
Adjustment in respect of prior years	(15)	615
Unrelieved tax losses and other deductions	2,240	8,062
Short term timing differences	(39)	57
Current tax (credit)/charge for the year	(15)	615

The Group suffers its losses in the UK, therefore the tax rate used for tax on profit/(loss) on ordinary activities is the standard rate for UK corporation tax, currently 27.5% (2010 – 28%).

In the opinion of the directors there is an unprovided deferred tax asset of £31,900,000 (2010 – £34,543,000).

## Notes to the Financial Statements (continued)

### 10. Intangible fixed assets

Group	Goodwill £'000
<b>Cost</b>	
At 30 June 2010 and at 30 June 2011	2,069
<b>Amortisation</b>	
At 30 June 2010	1,756
Charge for the year	197
<b>At 30 June 2011</b>	<b>1,953</b>
<b>Net book value</b>	
At 30 June 2011	116
At 30 June 2010	313

### 11. Tangible fixed assets

The following are included in the net book value of tangible fixed assets:

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Plant, equipment and vehicles	62	58	123	98

The movements in the year for the Group and Company were as follows:

	Group £'000	Company £'000
<b>Cost or valuation</b>		
At 30 June 2010	709	531
Additions	2	2
Disposals	(33)	(33)
<b>At 30 June 2011</b>	<b>678</b>	<b>500</b>
<b>Depreciation</b>		
At 30 June 2010	586	433
Charge for the year	52	31
Disposals	(22)	(22)
<b>At 30 June 2011</b>	<b>616</b>	<b>442</b>
<b>Net book value</b>		
At 30 June 2011	62	58
At 30 June 2010	123	98

The net book value of assets held under finance lease agreements, for both Group and Company, was £Nil (2010 - £15,000).

## Notes to the Financial Statements (continued)

### 12. Fixed asset investments

The following are included in the net book value of fixed asset investments:

	<b>Group 2011 £'000</b>	<b>Company 2011 £'000</b>	<b>Group 2010 £'000</b>	<b>Company 2010 £'000</b>
Investments in subsidiary undertakings	-	2,261	-	-
Investments in joint ventures	124	-	148	-
	<u>124</u>	<u>2,261</u>	<u>148</u>	<u>-</u>

The movements in investments in subsidiary undertakings of the Company in the year were as follows:

	<b>Subsidiary undertakings £'000</b>
<b>Cost</b>	
At 30 June 2010 and at 30 June 2011	9,115
<b>Provision for impairment</b>	
At 30 June 2010	9,115
Write back of prior impairments	(2,261)
<b>At 30 June 2011</b>	<u>6,854</u>
<b>Net book value</b>	
At 30 June 2011	<u>2,261</u>
At 30 June 2010	<u>-</u>

Subsequent to the year end, the Group sold its interest in a subsidiary undertaking, PPG Lime Street Limited. As the sale proceeds were in excess of the written down carrying value of the investment, a write back of the prior impairment was required at 30 June 2011 as noted above.

The movement in investments in joint ventures of the Group in the year was as follows:

	<b>Joint ventures £'000</b>
<b>Net book value</b>	
At 30 June 2010	148
Share of loss for the year	(24)
<b>At 30 June 2011</b>	<u>124</u>



## Notes to the Financial Statements (continued)

### 12. Fixed asset investments (continued)

Investments in joint ventures comprise:

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Share of net assets	124	-	148	-

Principal trading subsidiary undertakings at 30 June 2011 were:

	Principal activity	Holding
PPG Developments Limited	Property development & management	100%
PPG (Edinburgh) Limited	Property development & management	100%
PPG Lightning Limited	Property development & management	100%
PPG Bracknell Limited	Property development & management	100%†
Grosvenor House Southampton Limited	Property development & management	100%
PPG Lime Street Limited	Property development & management	100%
PPG Southern Limited	Property development & management	100%
PPG Land Limited	Property development & management	100%
PPG Land Normanton Limited	Property development & management	100%*†
Brogue Properties Limited	Property development & management	100%
PPG Metro Limited	Property development & management	100%
PPG Metro Franborough Limited	Property development & management	100%*
PPG Metro Greenock Limited	Property development & management	100%*
PPG Metro 39 Limited	Property development & management	100%*
PPG Metro 500 Limited	Property development & management	100%*
PPG Metro Mansfield Limited	Property development & management	100%*
Eleven Haymarket Limited	Property development & management	100%*†
PPG Metro Grosvenor Limited	Property development & management	100%*
PPG Metro Caledonian Limited	Property development & management	100%*

Unit trust holding at 30 June 2011 was:

Plumtree Court Unit Trust	Property development & management	100%*Ω
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During the year, Plumtree Court Unit Trust entered into a property sale contract. The sale completed on 19 January 2012 and the net disposal proceeds were distributed to the unitholders, in proportion to the number of units held, in the form of a return of capital. This transaction will be accounted for in the year to 30 June 2012.

Principal joint venture undertaking at 30 June 2011 was:

Bretton Street Developments Limited□	Property development	50%*†
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All holdings in subsidiary undertakings and joint ventures relate to the percentage of ordinary share capital held by the Company.

Unless noted otherwise all subsidiary, unit trust and joint venture undertakings are registered in Scotland.

\* Held indirectly through subsidiary undertakings

† Registered in England

Ω Registered in Jersey

□ Entity has a non-coterminous accounting reference date of 31 January

## Notes to the Financial Statements (continued)

### 13. Stocks

The following is included in the net book value of stocks:

	2011 £'000	2010 £'000
Work in progress	<u>418,130</u>	<u>488,084</u>

Cumulative interest included in the cost of work in progress, taking into account property disposals and adjustments to net realisable values, amounted to £7,496,000 (2010 - £12,302,000).

### 14. Debtors

The following are included in the net book value of debtors:

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
<b>Amounts falling due within one year</b>				
Trade debtors	2,526	-	2,413	-
Amounts falling due from other group undertakings	12,980	418,382	5,949	498,621
Amount falling due from joint venture undertaking	2	2	-	-
Amounts falling due from related parties	14	14	-	-
Other debtors	1,592	35	204	15
VAT	-	108	-	176
Prepayments and accrued income	7,506	741	5,689	600
	<u>24,620</u>	<u>419,282</u>	<u>14,255</u>	<u>499,412</u>
<b>Amounts falling due after more than one year</b>				
Amounts due from other group undertakings	1,858	1,858	1,858	1,858
	<u>26,478</u>	<u>421,140</u>	<u>16,113</u>	<u>501,270</u>

#### Company

The amounts due within one year from other group undertakings primarily relate to funds provided to the Company's subsidiary undertakings to enable them to repay their existing bank borrowings as part of a refinancing arrangement which took place in the prior year. This balance is net of provisions where the loan recoverability is considered uncertain. The amounts are unsecured and no interest is charged on the balances.

## Notes to the Financial Statements (continued)

### 15. Creditors: amounts falling due within one year

The following are included in creditors falling due within one year:

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Bank overdrafts (secured)	6,916	7,330	-	-
Bank loans (secured)	-	-	14,500	14,500
Obligations under finance lease agreements	-	-	6	6
Trade creditors	2,075	628	1,399	59
Amounts due to other group undertakings	2,314	8,173	2,314	3,209
Corporation tax payable	-	-	19	-
VAT	1,014	-	1,767	-
Other taxes and social security	111	111	53	53
Other creditors	746	32	733	20
Accruals and deferred income	12,341	4,353	16,320	5,089
	<u>25,517</u>	<u>20,627</u>	<u>37,111</u>	<u>22,936</u>

The Group and Company bank overdrafts at 30 June 2011 are repayable on demand. The Group and Company bank loans at 30 June 2010 were repayable on 31 December 2010.

The bank overdrafts and loans are secured by bond and floating charges and debentures containing fixed and floating charges over the assets of the Company and its subsidiary undertakings and by standard securities and/or legal charges over certain properties. The overdrafts and loans bear interest at commercial rates.

### 16. Creditors: amounts falling due after more than one year

The following are included in creditors falling due after more than one year:

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Bank term loans (secured)	396,582	396,582	450,500	450,500
Amounts due to parent company	127,431	127,431	127,431	127,431
	<u>524,013</u>	<u>524,013</u>	<u>577,931</u>	<u>577,931</u>

The Bank term loan of £121,582,000 at 30 June 2011 (2010 - £175,500,000) is repayable in annual instalments of varying amounts on 31 December of each year, or earlier in each year dependent on the disposal of certain properties, with the final payment due on 31 December 2015. The loan is secured by bond and floating charges and debentures containing fixed and floating charges over the assets of the Company and of its subsidiary undertakings and by standard securities and/or legal charges over certain properties. It bears interest at commercial rates.

## Notes to the Financial Statements (continued)

### 16. Creditors: amounts falling due after more than one year (continued)

The Bank term loan of £275,000,000 at 30 June 2011 (2010 - £275,000,000) is repayable in one instalment on 31 December 2017, or earlier dependent on the disposal of certain properties. The loan is secured by bond and floating charges and debentures containing fixed and floating charges over the assets of the Company and of its subsidiary undertakings and by standard securities and/or legal charges over certain properties. It bears interest at commercial rates.

The amounts due to the parent company have no fixed repayment date but can only be repaid once the Bank term loans are fully repaid. The balance is unsecured and no interest is charged.

The Company has entered into financial instruments to manage interest rate risk arising from borrowings (Note 22(d)). The Company does not enter into financial instruments for speculative purposes.

Borrowings are repayable as follows:

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
<b>Bank and term loans</b>				
Between one and two years	12,196	12,196	16,000	16,000
Between two and five years	109,386	109,386	119,000	119,000
After five years	275,000	275,000	315,500	315,500
	<u>396,582</u>	<u>396,582</u>	<u>450,500</u>	<u>450,500</u>

The borrowings payable on demand or within one year are disclosed in Note 15.

### 17. Called up share capital

	2011 £'000	2010 £'000
<b>Issued, allotted and fully paid</b>		
1,401,130 ordinary shares of 10p each	140	140
2,228,027 cumulative redeemable preference ("CRP") shares of £1 each	2,228	2,228
	<u>2,368</u>	<u>2,368</u>

The terms of the 2,228,027 CRP shares are such that redemption is solely at the discretion of the Company. The CRP shares carry no right to a dividend.

## Notes to the Financial Statements (continued)

### 18. Reserves

The movements in the year were as follows:

	Capital redemption £'000	Profit and loss account £'000
<b>Group</b>		
Balance at 30 June 2010	7,600	(112,946)
Loss for the financial year	-	(1,549)
<b>Balance at 30 June 2011</b>	<b>7,600</b>	<b>(114,495)</b>
	Capital redemption reserve £'000	Profit and loss account £'000
<b>Company</b>		
Balance at 30 June 2010	7,600	(102,941)
Loss for the financial year	-	(28,206)
<b>Balance at 30 June 2011</b>	<b>7,600</b>	<b>(131,147)</b>

### 19. Minority interests

All minority interests in each of PPG Metro Limited, Brogue Properties Limited, PPG Land Limited and PPG Southern Limited were acquired by the Company during the prior year.

## Notes to the Financial Statements (continued)

### 20. Reconciliation of movements in shareholders' (deficit)/funds

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Loss for the financial year	(1,549)	(28,206)	(34,151)	(110,575)
Transfer of revaluation reserve from minority interests	-	-	450	-
Reversal of revaluation reserve	-	-	(1,077)	-
Reserve transfer on loan note conversion	-	-	15,408	-
Minority interest share of reserve transfer on loan note conversion	-	-	(14,639)	-
Net depletion to shareholders' (deficit)/funds	(1,549)	(28,206)	(34,009)	(110,575)
Opening shareholders' (deficit)/funds	(102,978)	(92,973)	(68,969)	17,602
<b>Closing shareholders' deficit</b>	<b>(104,527)</b>	<b>(121,179)</b>	<b>(102,978)</b>	<b>(92,973)</b>

The loan notes were converted into ordinary share capital on 18 December 2009. This transaction was completed as part of a wider restructure and refinancing of the Murray International Holdings Limited Group, which took place in the prior year, and as such was accounted for as a debt for equity conversion rather than a waiver of debt. This was on the basis that whilst minimal equity was given by the Company on conversion of the loan notes, the value of the equity given by the wider Murray International Holdings Limited Group was sufficient to cover this debt.

## Notes to the Financial Statements (continued)

### 21. Notes to the consolidated cash flow statement

#### (a) Reconciliation of operating profit to operating cash flows

	2011 £'000	2010 £'000
Operating profit	9,862	24,537
Depreciation charges	52	125
Goodwill amortisation charges	197	197
Impairment losses on development properties	5,803	5,726
Decrease in stocks	62,664	69,574
(Increase)/decrease in debtors	(10,365)	2,992
(Decrease)/increase in creditors	(1,834)	122,988
Net cash inflow from operating activities	<u>66,379</u>	<u>226,139</u>

#### (b) Returns on investment and servicing of finance

	2011 £'000	2010 £'000
Interest received	21	-
Interest paid	(12,114)	(17,191)
Interest rate hedge instrument break costs	-	(22,816)
Net cash outflow	<u>(12,093)</u>	<u>(40,007)</u>

#### (c) Taxation

	2011 £'000	2010 £'000
UK corporation tax received	<u>15</u>	<u>-</u>

## Notes to the Financial Statements (continued)

### 21. Notes to the consolidated cash flow statement (continued)

#### (d) Capital expenditure and financial investment

	2011 £'000	2010 £'000
Purchase of tangible fixed assets	(2)	(1,834)
Sale of tangible fixed assets	19	77
Net cash inflow/(outflow)	17	(1,757)

#### (e) Financing

	2011 £'000	2010 £'000
Repayment of bank loans	(61,502)	(111,250)
New bank loan	-	450,500
Repayment of finance lease obligations	(6)	(8)
Net cash (outflow)/ inflow	(61,508)	339,242

#### (f) Analysis and reconciliation of net debt

	2010 £'000	Cash flow £'000	2011 £'000
Cash at bank and in hand	7,283	(7,190)	93
Bank overdrafts and debt due within one year	(14,500)	7,584	(6,916)
	(7,217)	394	(6,823)
Debt due after more than one year	(450,500)	53,918	(396,582)
Finance lease obligations	(6)	6	-
Total	(457,723)	54,318	(403,405)



## Notes to the Financial Statements (continued)

### 22. Guarantees and other financial commitments

#### (a) Capital commitments

Capital commitments contracted but not provided at 30 June 2011 amounted to £Nil (2010 - £ Nil).

#### (b) Contingent liabilities

The Company has guaranteed bank borrowings of the Company, its ultimate holding company, Murray International Holdings Limited and certain fellow subsidiary undertakings by cross guarantees. The total contingency at 30 June 2011 amounted to £137,845,000 (2010 - £140,885,000). These guarantees are secured by a bond and floating charge over the assets of the Company.

A subsidiary undertaking is currently developing land which is held within stocks. Under the terms of the outline planning permission, once the development reaches a certain level of development and occupancy the Group is obliged to contribute to the upgrade of certain surrounding infrastructure. The Group's share of this expenditure at the balance sheet date is estimated to be £1,525,000 (2010 - £1,525,000).

#### (c) VAT

The Company is registered for VAT purposes in a group of undertakings which share a common registration number. As a result, it has jointly guaranteed the VAT liability of that group of companies and failure by other members of that group of companies to meet their VAT liabilities would give rise to additional liabilities for the Company. The Directors are of the opinion that no additional liability is likely to arise.

#### (d) Fair values

The Group holds derivative financial instruments to manage interest rate risks. The total debt subject to interest rate derivative instruments at 30 June 2011 amounted to £297,525,000 (2010 - £297,525,000) with the fair value of these instruments amounting to a liability of £26,086,000 (2010 - liability of £24,575,000).

#### (e) Operating lease commitments

Annual commitments under non-cancellable operating leases for the Group were as follows:

	Land & buildings 2011 £'000	Other 2011 £'000	Land & buildings 2010 £'000	Other 2010 £'000
<b>Group</b>				
Expiry within one year	15	2	6	6
Expiry within two to five years	-	-	58	-
Expiry after five years	203	-	147	-
	<u>218</u>	<u>2</u>	<u>211</u>	<u>6</u>

## Notes to the Financial Statements (continued)

### 23. Related party transactions

The Company has taken advantage of the exemption available under FRS 8 "Related Party Transactions" not to disclose transactions with group undertakings and fellow group undertakings of the ultimate holding company where 100% of the voting rights are controlled by the ultimate holding company.

The amounts due to and from other group undertakings at 30 June 2011 are shown in Notes 14, 15 and 16. The transactions with related parties during the year were:

Related party	Relationship	Nature of transaction	2011 £'000	2010 £'000
Bretton Street Developments Limited	Joint venture undertaking	Administrative services	15	483

The amount due by Bretton Street Developments at 30 June 2011 is £2,000 (2010 - £Nil). Included within other debtors at 30 June 2011 are management fees not yet invoiced of £15,000 (2010 - £6,000).

During the year a director purchased a motor vehicle from the Company. This transaction took place on an arm's length basis.

### 24. Ultimate holding company

The immediate parent company is Murray Group Holdings Limited and the ultimate holding company is Murray International Holdings Limited, both of which are registered in Scotland.

The largest and smallest group in which the results of the Company are consolidated is that headed by the ultimate holding company whose principal place of business is at 10 Charlotte Square, Edinburgh, EH2 4DR. Copies of Murray International Holdings Limited financial statements are available from the above address.

### 25. Ultimate control

Sir D E Murray, a director of the ultimate holding company (Note 24) and members of his close family control the Group and the Company as a result of controlling directly or indirectly 70% of the issued share capital of the ultimate holding company.

### 26. Post balance sheet events

As set out in Note 24, the Company's ultimate holding company is Murray International Holdings Limited, a company which is registered in Scotland. The largest and smallest group in which the results of the Company are consolidated is that headed by the ultimate holding company whose principal place of business is at 10 Charlotte Square, Edinburgh, EH2 4DR. Copies of Murray International Holdings Limited financial statements are available from the above address.

On 7 March 2012, Murray International Holdings Limited and certain of its subsidiaries (the "Murray Group") completed a financial restructuring, details of which are set out in the financial statements of Murray International Holdings Limited for the period ended 30 June 2011. A summary of the principal terms of this financial restructuring are set out below:

- (i) Lloyds Banking Group has increased its equity interests in the Murray Group, subscribing for approximately £117.7m of additional share capital and share premium in Murray International Holdings Limited while reducing debt levels by a similar quantum;

## Notes to the Financial Statements (continued)

### 26. Post balance sheet events (continued)

(ii) Following the issue of share capital, Sir David E. Murray and members of this close family continue to control the Company and the Group as a result of controlling, either directly or indirectly, 70% of the voting share capital of the issued share capital of the ultimate holding company. This percentage remains unchanged from before;

(iii) Murray Group Holdings Limited, a wholly owned subsidiary of Murray International Holdings Limited has increased its equity in the Group subscribing for approximately £7.3m of additional share capital in The Premier Property Group Limited;

(iv) Hedge arrangements held by the Group were revised to more closely match the debt profile going forward incurring amendment fees of £7.3m; and

(v) Murray Group borrowing facilities have been renewed with Lloyds Banking Group following completion of the financial restructuring.

The impact of these changes has been shown in the unaudited proforma group balance sheet set out in the Report of the Directors of the financial statements of Murray International Holdings Limited. This unaudited pro forma balance sheet highlights the effect on the 30 June 2011 balance sheet of Murray International Holdings Limited of the various steps outlined above as if they had taken place on that date.